

Congress of the United States

U.S. House of Representatives

Committee on Small Business

2361 Rayburn House Office Building

Washington, DC 20515-6315

February 10, 2011

The Honorable Dave Camp
Chairman
House Committee on Ways and Means
1102 Longworth Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
House Committee on Ways and Means
1139E Longworth Building
Washington, DC 20515

Dear Chairman Camp and Ranking Member Levin:

Yesterday, the House Committee on Small Business held the first Congressional hearing on the expanded 1099 reporting requirement that was contained in Section 9006 of the Patient Protection and Affordable Care Act (P.L. 111-148). Unless this provision is repealed, beginning in 2012, nearly 36 million entities, including small and large businesses, non-profits and government agencies will be forced to file 1099 forms on virtually all purchases of \$600 or more with every vendor annually.¹ At a time when we are depending on small businesses to create new jobs and grow our economy, we shouldn't subject them yet another oppressive mandate.

At the hearing, House Administration Committee Chairman Dan Lungren testified about H.R. 4, his bipartisan legislation to repeal Section 9006 of the health care law. H.R. 4 now has 270 cosponsors. Chairman Lungren said Congress should be "looking at ways to create an environment that is more friendly to entrepreneurship. In this regard, the new filing requirement is entirely a step in the wrong direction." In addition, Chairman Lungren said the expanded reporting requirement "conveys the worst possible message to the small business community [and] reflects a disconnect with the day to day reality faced by men and women involved with companies in each and every one of our districts."

¹ Fiscal Year 2011 Objectives, Taxpayer Advocate Service, available at: <http://www.irs.gov/pub/irs-utl/nta2011objectivesfinal.pdf>.

Small business owners testified that the 1099 mandate will impose a substantial and costly paperwork burden, and add to the present climate of uncertainty. John “Mark” Eagleton, franchisee of a small restaurant in Arvada, CO, said, “The practical consequences of the 1099 mandate are staggering for a business like mine. I work with 200 to 300 vendors each year. Not all will reach the \$600 threshold, but since I don’t know who will, I will need to record all the purchases I make. I must buy, install and learn new software, track down each vendor’s taxpayer identification number, and address, key in information for 200 to 300 vendors, compile data onto 1099s, and print and mail forms to vendors and the IRS if my purchases for any one vendor total \$600 for the calendar year.”

Seth Shipley, owner of Shipley’s Fine Jewelry in Hampstead, MD, said, “I estimate that more than more than 1,255 of [my] customers spend more than \$600 a year in my store. According to the government website, it only takes 18 minutes to fill out a 1099 form. Even so, that means approximately 500 more hours of work will have to be devoted to filling out those forms for my customers by my estimate. In addition, I conduct transactions with about 200 jewelry suppliers each year and will invest more than \$600 with each of them. That means an additional 60 hours of work to fill out those 1099 forms.”

R. Jerold Kivett, President of Kivett’s Inc. in Clinton, NC, said, “The new healthcare law and the uncertainty it is creating for small business owners makes it harder for us to determine the cost of running our business. The expanded 1099 reporting requirement included in the healthcare law is a good example of the kind of misguided policy that works against the interest of small businesses.”

All of us support better voluntary tax compliance. But concern has been expressed about the effectiveness of expanded 1099 reporting in improving compliance. As you know, even the Internal Revenue Service’s National Taxpayer Advocate has said that “the new reporting burden, particularly as it falls on small businesses, may turn out to be disproportionate as compared with any resulting improvement in tax compliance.”² In addition, the Taxpayer Advocate expressed doubt about the IRS’ ability to make “productive use of this new volume of information reports.”³

We urge you to keep the concerns of America’s small business owners in mind as

^{2 2} Fiscal Year 2011 Objectives, Taxpayer Advocate Service, available at: <http://www.irs.gov/pub/irs-utl/nta2011objectivesfinal.pdf>

³ Ibid.

you consider H.R. 4 and other legislation to relieve job destroying tax and regulatory burdens.

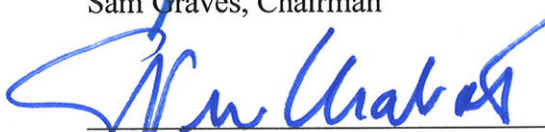
Sincerely,



Rep. Sam Graves, Chairman



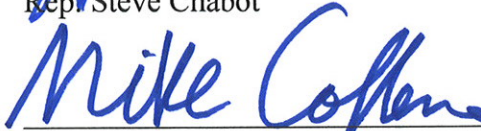
Rep. Roscoe Bartlett



Rep. Steve Chabot



Rep. Steve King



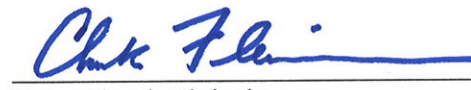
Rep. Mike Coffman



Rep. Mick Mulvaney



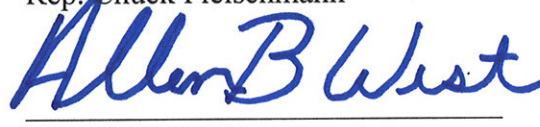
Rep. Scott Tipton



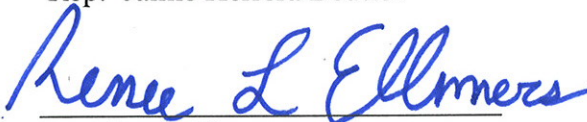
Rep. Chuck Fleischmann



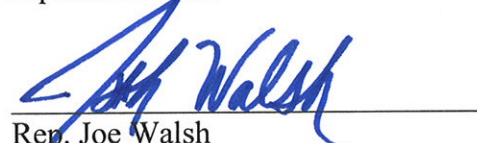
Rep. Jaime Herrera Beutler




Rep. Allen West



Rep. Renee Elmers



Rep. Joe Walsh



Rep. Jeff Landry

cc: Speaker John A. Boehner
Minority Leader Nancy Pelosi